

FINANCIAL STATEMENTS

JACKSON PARISH HOSPITAL

SEPTEMBER 30, 2013 AND 2012

FINANCIAL STATEMENTS
JACKSON PARISH HOSPITAL
SEPTEMBER 30, 2013 AND 2012
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Jackson Parish Hospital
Jonesboro, Louisiana

We have audited the financial statements of Jackson Parish Hospital Service District No. 1, dba Jackson Parish Hospital, a component unit of the Jackson Parish Police Jury, State of Louisiana, ("the Hospital"), as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgments, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OPINIONS

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the respective financial position of the activities of Jackson Parish Hospital, a component unit of the Jackson Parish Police Jury, State of Louisiana as of September 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

The Hospital has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules identified in the table of contents as supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Accounting Standards*, we have also issued our report dated March 25, 2014 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.



LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)
Abbeville, Louisiana

March 25, 2014

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

STATEMENT OF NET POSITION

SEPTEMBER 30,

ASSETS

| | <u>2013</u> | <u>2012</u> |
|---|----------------------|----------------------|
| CURRENT ASSETS: | | |
| Cash and Cash Equivalents | \$ 2,849,006 | \$ 3,250,164 |
| Accounts Receivables, Less Allowance for Doubtful | | |
| Accounts of \$1,895,381 in 2013 and \$2,171,028 in 2012 | 2,278,639 | 2,920,176 |
| Cost Report Settlements | 1,208,721 | 686,885 |
| Other Receivables | 20,684 | 30,221 |
| Inventories | 554,302 | 628,789 |
| Prepaid Expenses | 87,508 | 116,956 |
| | | |
| Total Current Assets | <u>6,998,860</u> | <u>7,633,191</u> |
| | | |
| ASSETS WHOSE USE IS LIMITED: | | |
| Internally Designated for Capital Acquisitions | 5,265 | 5,247 |
| By Bond Indenture | 182,838 | 522,888 |
| | | |
| Total Assets Whose Use is Limited | <u>188,103</u> | <u>528,135</u> |
| | | |
| PROPERTY, PLANT AND EQUIPMENT: | | |
| Property, Plant and Equipment Cost | 9,383,544 | 8,322,453 |
| Less: Accumulated Depreciation | 6,006,850 | 5,377,080 |
| | | |
| Total Property, Plant and Equipment | <u>3,376,694</u> | <u>2,945,373</u> |
| | | |
| OTHER ASSETS | | |
| Bond Issue Cost (Net) | 7,748 | 9,247 |
| | | |
| Total Other Assets | <u>7,748</u> | <u>9,247</u> |
| | | |
| TOTAL ASSETS | <u>\$ 10,571,405</u> | <u>\$ 11,115,946</u> |

The accompanying notes are an integral part of these financial statements.

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

STATEMENT OF NET POSITION

SEPTEMBER 30,

LIABILITIES AND NET POSITION

| | <u>2013</u> | <u>2012</u> |
|---|----------------------|----------------------|
| CURRENT LIABILITIES: | | |
| Current Portion of Long-Term Debt | \$ 276,000 | \$ 264,000 |
| Credit Balances | 97,937 | 88,922 |
| Accounts Payable | 320,727 | 374,864 |
| Accrued Salaries and Related Withholdings | 661,650 | 577,940 |
| HIT Cost Report Payable | 447,533 | 447,533 |
| Interest Payable | <u>8,488</u> | <u>12,928</u> |
| Total Current Liabilities | <u>1,812,335</u> | <u>1,766,187</u> |
| LONG-TERM LIABILITIES: | | |
| Long-Term Debt: | | |
| General Obligation Issue 2008 | <u>1,233,000</u> | <u>1,509,000</u> |
| Total Long-Term Liabilities | <u>1,233,000</u> | <u>1,509,000</u> |
| TOTAL LIABILITIES | <u>3,045,335</u> | <u>3,275,187</u> |
| NET POSITION: | | |
| Invested in Capital, Net of Related Debt | 1,867,694 | 1,172,373 |
| Restricted: Debt Service (Expendable) | 188,103 | 528,135 |
| Unrestricted | <u>5,470,273</u> | <u>6,140,251</u> |
| TOTAL NET POSITION | <u>7,526,070</u> | <u>7,840,759</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 10,571,405</u> | <u>\$ 11,115,946</u> |

The accompanying notes are an integral part of these financial statements.

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED SEPTEMBER 30,

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| OPERATING REVENUES: | | |
| Net Patient Service Revenues before Provision for Doubtful Accounts | \$ 15,315,078 | \$ 17,886,484 |
| Provision for Doubtful Accounts | (3,546,706) | (3,816,602) |
| Net Patient Service Revenues after Provision for Doubtful Accounts | 11,768,372 | 14,069,882 |
| Other Operating Revenue | 84,200 | 485,618 |
| TOTAL OPERATING REVENUE | <u>11,852,572</u> | <u>14,555,500</u> |
| OPERATING EXPENSES: | | |
| Professional Services | 10,985,609 | 11,042,238 |
| General and Administrative | 5,203,999 | 5,036,277 |
| Depreciation and Amortization | 631,269 | 517,011 |
| TOTAL OPERATING EXPENSES | <u>16,820,877</u> | <u>16,595,526</u> |
| INCOME (LOSS) FROM OPERATIONS | <u>(4,968,305)</u> | <u>(2,040,026)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Interest Income | 7,593 | 5,126 |
| Interest Expense | (59,809) | (81,258) |
| Grant Income | 2,210,897 | 931,977 |
| Ad Valorem Taxes | 2,494,935 | 2,247,843 |
| TOTAL NON-OPERATING REVENUES | <u>4,653,616</u> | <u>3,103,688</u> |
| CHANGE IN NET POSITION | <u>(314,689)</u> | <u>1,063,662</u> |
| TOTAL NET POSITION, BEGINNING | <u>7,840,759</u> | <u>6,777,097</u> |
| TOTAL NET POSITION, ENDING | <u>\$ 7,526,070</u> | <u>\$ 7,840,759</u> |

The accompanying notes are an integral part of these financial statements.

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30,

| | <u>2013</u> | <u>2012</u> |
|---|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash Received from Patients | \$ 11,981,286 | \$ 13,891,876 |
| Cash Payments to Suppliers for Goods and Services | (7,890,989) | (8,325,089) |
| Cash Payments to Employees for Services | (8,165,109) | (7,710,450) |
| Net Cash Flow Used in Operating Activities | <u>(4,074,812)</u> | <u>(2,143,663)</u> |
| CASH FLOW FROM NON CAPITAL FINANCING ACTIVITIES: | | |
| Ad Valorem Taxes | 2,494,935 | 2,247,843 |
| Grant Income | 2,220,434 | 931,977 |
| Net Cash Provided By Non Capital Financing Activities | <u>4,715,369</u> | <u>3,179,820</u> |
| CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Purchase of Fixed Assets | (1,061,091) | (495,638) |
| Principal Payments on Long-Term Debt | (264,000) | (253,000) |
| Interest Payments on Long-Term Debt | (64,249) | (81,258) |
| Net Cash Used in Capital and Related Financing Activities | <u>(1,389,340)</u> | <u>(829,896)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest Income | 7,593 | 5,126 |
| Net Cash Provided by Financing Activities | <u>7,593</u> | <u>5,126</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (741,190) | 211,387 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR INCLUDING \$528,135 AND \$723,570 LIMITED AS TO USE FOR 2013 AND 2012, RESPECTIVELY | <u>3,778,299</u> | <u>3,566,912</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR INCLUDING \$188,103 AND \$528,135 LIMITED AS TO USE FOR 2013 AND 2012, RESPECTIVELY | <u>\$ 3,037,109</u> | <u>\$ 3,778,299</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Operating Loss | \$ (4,968,305) | \$ (2,040,026) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities: | | |
| Depreciation and Amortization | 631,269 | 517,011 |
| Provision for Doubtful Accounts | 3,546,706 | 3,816,602 |
| Increase in Receivables and Due from Third Parties | (3,417,990) | (4,480,226) |
| Decrease (Increase) in Inventories and Prepaid Expenses | 103,935 | (65,002) |
| Increase in Accounts Payable and Accrued Expenses | 29,573 | 107,978 |
| NET CASH USED IN OPERATING ACTIVITIES | <u>\$ (4,074,812)</u> | <u>\$ (2,143,663)</u> |

The accompanying notes are an integral part of these financial statements.

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 and 2012

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. Jackson Parish Hospital Service District No. 1 (the Hospital) was created in 1950, by the Parish Government of Jackson Parish, Louisiana to operate, control, and manage matters concerning the parish's health care functions. The Jackson Parish Police Jury appoints the Board of Commissioners of the Hospital, and the Hospital may not issue debt without the Parish's approval. For this reason, the Hospital is considered to be a component unit of the Jackson Parish Government, Jackson Parish, Louisiana.

Basis of accounting. The accompanying basic financial statements of the Hospital have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. GASB 34 established standards for external financial reporting for all state and local governmental entities, which included a balance sheet or statement of net position, a statement of revenues, expenditures and changes in net position, and a statement of cash flows utilizing the direct method of presentation. GASB 34 is found throughout the recently issued GASB Codification. The Hospital follows standards issued by GASB found in the GASB Codification.

Use of estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Proprietary fund accounting. The Hospital utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized using the economic resources measurement focus and the accrual basis of accounting. Substantially all revenues and expenses are subject to accrual.

Inventories. Inventories of drugs and supplies are stated at the lower of cost (first-in, first-out) or market.

Property, Plant and Equipment. Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 and 2012

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Grants and donations. Revenues from grants and donations (including capital contributions of assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and donations may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expense.

Operating revenues and expenses. The Hospital's statements of revenues, expenses and changes in net assets distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital's principal activity. Non-exchange revenues, including taxes, grants and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Income taxes. The Hospital is a political subdivision and exempt from taxes.

Advertising. The Hospital expenses advertising cost as incurred.

Costs of borrowing. Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. None of the Hospital's interest cost was capitalized in either fiscal year ended September 30, 2013 or 2012.

Cash and cash equivalents. Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of ninety days or less. Under state law, the Hospital may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Trade receivables and allowance for uncollectible accounts. Trade receivables are carried at the original billed amount less an estimate made for uncollectible accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for uncollectible accounts by identifying troubled accounts and by using historical experiences applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

Ad valorem Taxes. The Hospital's property tax is levied by the parish on the taxable real property in the district in late October of each year. Bills are sent out in November of each year, and becomes a lien the following March. The collection period for the Hospital's property taxes is from December (at which time they become delinquent) to the succeeding May.

The Hospital received approximately 17.7 percent in 2013, and 12.7 percent in 2012, of its financial support from ad valorem taxes.

Risk Management. The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters.

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 and 2012

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Restricted resources. When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Environmental matters. Due to the nature of the Hospital's operations, materials handled could lead to environmental concerns. However, at the time, management is not aware of any environmental matters which need to be considered.

Reclassifications. To be consistent with current year classifications, some items from the previous year have been reclassified with no effect on net assets. Such reclassifications include the reclassification of Physicians Clinic Revenue from Other Operating Revenue to Net Patient Service Revenue.

Investments in debt and equity securities. Investments in debt and equity securities are carried at fair value except for investments in debt securities with maturities of less than one year at the time of purchase. These investments are reported at amortized cost, which approximates fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating income when earned.

Net Position. GASB 63 and GASB Codification Section P80, states that net position is equal to assets plus deferred outflows of resources less liabilities and deferred inflows or resources. Net position classifications are defined as follows:

Invested in Capital Assets, Net of Related Debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds.

Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets. Assets may be restricted when there are limitations imposed on their use either through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position consists of net position that does not meet the definition of the two preceding categories.

The Hospital first applies restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net position are available.

Net patient service revenue. The Hospital has agreements with third-party payors that provide payments to the Hospital at amounts different from its established rates. Inpatient acute care services, swing bed services and outpatient services rendered to Medicare program beneficiaries are reimbursed at cost plus 1% (subject to limits and rules), while other outpatient laboratory services are reimbursed on a fee schedule. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through September 30, 2010.

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per day. Certain outpatient services to Medicaid program beneficiaries are reimbursed at cost plus 10%, subject to certain limits, while other outpatient services are

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 and 2012

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

reimbursed on a fee schedule. The Hospital is reimbursed for outpatient services at an interim rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through September 30, 2010.

The Louisiana Legislature, through the Healthcare Reform Act of 2007 and Act 1 of 2010, tasked the Department of Health and Hospitals (the DHH) to create a new system of care. In response, the DHH reformed its reimbursement methodology for Medicaid patients from a fee-for-service system to the use of a Coordinated Care Network (CCN). During 2011, the DHH enabled certain third-party payor companies to contract with providers under the CCN methodology. The Hospital is currently contracted and enrolled with payors participating in the Coordinated Care Network.

The Hospital has entered into payment arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined rates. To the extent management's estimate differs from actual results, the differences will be used to adjust income in the period when such differences arise.

For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided.

NOTE 2: NET PATIENT SERVICE REVENUE

The following schedule represents total Net Patient Service Revenue:

| | <u>2013</u> | <u>2012</u> |
|---|----------------------|----------------------|
| Gross Patient Service Revenue | \$ 26,807,905 | \$ 29,989,100 |
| Less: Contractual Adjustments | (11,492,827) | (13,327,841) |
| Add : Uncompensated Care | <u>-</u> | <u>1,225,225</u> |
| Net Patient Service Revenue Before Provision for Doubtful Accounts | 15,315,078 | 17,886,484 |
| Less: Provision for Doubtful Accounts | <u>(3,546,706)</u> | <u>(3,816,602)</u> |
| Net Patient Service Revenue after Provision For Doubtful Accounts | <u>\$ 11,768,372</u> | <u>\$ 14,069,882</u> |

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 and 2012

NOTE 2: NET PATIENT SERVICE REVENUE (cont)

Net Patient Service Revenue by Payor before Provision for Doubtful Accounts:

| | <u>2013</u> | <u>2012</u> |
|---|----------------------|----------------------|
| Medicare | \$ 4,916,420 | \$ 5,145,486 |
| Medicaid | 3,646,383 | 5,040,631 |
| All other payors | <u>6,752,275</u> | <u>7,700,367</u> |
| Total Net Patient Service Revenue Before Provision for Doubtful Accounts | <u>\$ 15,315,078</u> | <u>\$ 17,886,484</u> |

NOTE 3: ACCOUNTS RECEIVABLE - PATIENTS

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with Medicaid, Commercial, and Self-Pay patients, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience and on the age of the receivable balance. The aged balance indicates that third-party claims have reached an age where the probability of payment is low and that self-pay patients are unable or unlikely to pay portion of their bill for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Patients Accounts Receivable consists of the following:

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| Total Patient Accounts Receivable | \$ 6,283,246 | \$ 7,173,020 |
| Less: Allowance for Doubtful Accounts And Contractual Allowances | <u>(4,004,607)</u> | <u>(4,252,844)</u> |
| Net Patient Accounts Receivable | <u>\$ 2,278,639</u> | <u>\$ 2,920,176</u> |

NOTE 4: MAJOR SOURCE OF REVENUE

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 57% and 53% of its gross patient service revenue in 2013 and 2012, respectively, from patients covered by the Medicare and Medicaid programs. The Hospital received Upper Payment Limit (UPL) payments in the amount of \$2,072,334 and \$-0- for 2013 and 2012, respectively. UPL Funds are reported in grant revenue on the Statement of Revenues, Expenses, and Changes in Net Position. Included in net patient service revenues for 2013 and 2012, is additional reimbursement for Medicaid Uncompensated Care Adjustments of \$-0- and \$1,225,225, respectively. Both UPL and UCC funds are subject to audit by the State of Louisiana.

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 and 2012

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, by major category, is as follows at September 30, 2013:

| | Asset life in years | Beginning Balance | Additions | Deletions | Ending Balance |
|-----------------------------------|------------------------|----------------------|-------------------|-------------|---------------------|
| Land | | \$ 28,900 | \$ - | \$ - | \$ 28,900 |
| Land Improvements | 5 - 25 | 204,698 | - | - | 204,698 |
| Building | 10 - 40 | 3,043,771 | 237,221 | - | 3,280,992 |
| Fixed Equipment | 5 - 25 | 3,110,539 | - | - | 3,100,539 |
| Movable Equipment | 5 - 25 | 1,925,204 | 823,870 | - | 2,749,074 |
| Automobile | 5 | 19,341 | - | - | 19,341 |
| Total cost | | 8,322,453 | 1,061,091 | - | 9,383,544 |
| Less: Accumulated Depreciation | | (5,377,080) | (629,770) | - | (6,006,850) |
| Net Property, Plant and Equipment | | <u>\$2,945,373</u> | <u>\$ 431,321</u> | <u>\$ -</u> | <u>\$ 3,376,694</u> |

Depreciation expense for the years ended September 30, 2013 and 2012 amounted to \$629,770 and \$515,511 respectively. Amortization expense for bond issue cost for the years ended September 30, 2013 and 2012 was \$1,499 for each year.

NOTE 6: LONG-TERM DEBT

Long-term debt at September 30, 2013 and 2012, consisted of the following:

| | 2013 | 2012 |
|--|---------------------|---------------------|
| Certificates of indebtedness, dated December 4, 2008, in the amount of \$2,500,000 with an interest rate of 4.375% maturing serially on February 1 of each year beginning in 2010, with interest payable on February 1 and August 1 of each year, with the final maturity February 1, 2018, collateralized by Ad Valorem tax receipts; After February 1, 2013, interest rate is 3.375% | \$ 1,509,000 | \$ 1,773,000 |
| Total Long-Term Debt | 1,509,000 | 1,773,000 |
| Less: Current Portion | (276,000) | (264,000) |
| Long-Term Portion | <u>\$ 1,233,000</u> | <u>\$ 1,509,000</u> |

During the fiscal year ended September 30, 2013, the bondholder, Jonesboro State Bank, agreed to a change in terms to reduce the interest rate from 4.375% to 3.375% to be effective after the February 1, 2013 interest payment.

Under the terms of the Note Indentures, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use in the financial statements.

A summary of long-term debt activity for the year ended is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|-------------------------------|----------------------|-------------|-------------------|---------------------|
| General Obligation Issue 2008 | \$1,773,000 | \$ - | \$ 264,000 | \$ 1,509,000 |
| Total | <u>\$1,773,000</u> | <u>\$ -</u> | <u>\$ 264,000</u> | <u>\$ 1,509,000</u> |

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 and 2012

NOTE 6: LONG-TERM DEBT (cont)

Balance due within one year:

| | <u>2013</u> | <u>2012</u> |
|-------------------------------|-------------|-------------|
| General obligation issue 2008 | \$ 276,000 | \$ 264,000 |

Scheduled repayments on long-term debt are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------|--------------------|-------------------|---------------------|
| 2014 | 276,000 | 46,271 | 322,271 |
| 2015 | 288,000 | 36,754 | 324,754 |
| 2016 | 301,000 | 26,814 | 327,814 |
| 2017 | 315,000 | 16,419 | 331,419 |
| 2018 | 329,000 | 5,552 | 334,552 |
| Total | <u>\$1,509,000</u> | <u>\$ 131,810</u> | <u>\$ 1,640,810</u> |

NOTE 7: ASSETS LIMITED AS TO USE AND RESTRICTED NET POSITION

In relation to the revenue bonds issued on December 4, 2008 with a face value of \$2,500,000, the hospital entered into an agreement to reserve cash funds as follows:

"All of the avails or proceeds of the Tax for each tax roll year shall be set aside in the Debt Service fund until such time as there is on deposit sufficient proceeds of the Tax to pay all principal and interest falling due on the Certificates in the ensuing year."

The composition of assets limited as to use at September 30, 2013 and 2012, is set forth in the following table.

| | <u>2013</u> | <u>2012</u> |
|-----------------------------------|-------------------|-------------------|
| Cash: | | |
| By board for capital improvements | \$ 5,265 | \$ 5,247 |
| By Bond indenture | 182,838 | 522,888 |
| | <u>\$ 188,103</u> | <u>\$ 528,135</u> |

Investment income and gains on assets limited as to use, cash equivalents, and other investments are comprised of the following for the years ending September 30, 2013 and 2012:

| | <u>2013</u> | <u>2012</u> |
|-----------------|-------------|-------------|
| Income: | | |
| Interest income | \$ 18 | \$ 19 |

NOTE 8: CASH FLOWS SUPPLEMENTAL INFORMATION

Total interest paid by the Hospital was \$64,249 and \$81,258, for 2013 and 2012, respectively.

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 and 2012

NOTE 9: CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2013 and 2012, are as follows:

| | <u>2013</u> | <u>2012</u> |
|---|-------------|-------------|
| Medicare | 21% | 19% |
| Medicaid | 10 | 10 |
| Commercial and other third-party payors | 69 | 71 |
| | <u>100%</u> | <u>100%</u> |

NOTE 10: PENSION PLAN

The Hospital sponsors a defined contribution plan. The Plan Administrator is the Human Resources Director. Eligibility requirements are one year of employment and attaining the age of 21. Vesting is 50% at 3 years of service, 75% at 4 years and 100% at 5 years. The Plan's coverage includes death, disability and retirement benefits. The Hospital may amend the Plan at any time at its' sole discretion. However, no amendment may result in any participant's vested interest or any portion of the Plan's assets reverting back to the Hospital. The Hospital contributes 1% for all eligible employees. It will match up to 4% of employee salaries, if the employee also contributes 4%. The Hospital contributed \$191,956 and \$184,271 for the years ended September 30, 2013 and 2012, respectively.

NOTE 11: UNCOMPENSATED CARE REVENUE

The Hospital received a disproportionate share payment for uncompensated care for the year ended September 30, 2012, in the amount of \$1,225,225. This payment is based upon estimated uncompensated care cost and is subject to audit by the Louisiana Department of Health and Hospitals. Coverage for uncompensated care is based on the State's fiscal year.

The Medicaid Uncompensated Care Adjustment was replaced by Upper Payment Limit (UPL) funding for the year ended September 30, 2013. UPL funds of \$2,072,334 are recognized in grant revenues on the Statement of Revenues, Expenses, and Changes in Net Position for the year ended September 30, 2013.

NOTE 12: BANK DEPOSITS AND INVESTMENTS

State statutes authorize the Hospital to invest in obligations of the U.S. Treasury, certificates or other obligations of the United States of America, and time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana.

At September 30, 2013 and 2012, the Hospital had bank balances as follows:

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| Insured (FDIC) | \$ 250,000 | \$ 2,133,545 |
| Collateralized by Securities Held by the Pledging Financial Institution's Trust Department in the Hospital's Name | 3,642,106 | 7,185,297 |
| Total | <u>\$ 3,892,106</u> | <u>\$ 9,318,842</u> |
| Carrying Value | <u>\$ 3,112,960</u> | <u>\$ 4,032,189</u> |

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 and 2012

NOTE 13: PROFESSIONAL LIABILITY RISK

The Hospital participates in the Louisiana Patient's Compensation Fund (PCF) established by the State of Louisiana to provide medical professional liability coverage to health care providers. The PCF provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk. The PCF places no limitation on the number of occurrences covered. In connection with the establishment of the PCF's, the State of Louisiana enacted legislation limiting the amount of settlement for professional liability to \$500,000 per occurrence.

The courts have not tested the constitutionality of this legislation, although the Louisiana Supreme Court has decided that this limit does not apply in cases of strict liability. The Hospital's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance based upon an estimate of their exposure. At policy year-end, premiums are re-determined utilizing actual losses of the Hospital.

NOTE 14: CRITICAL ACCESS STATUS

Effective November 1, 2004, Jackson Parish Hospital was approved for "critical access" status under the Medicare Rural Hospital Flexibility Program. The program allows states to designate rural facilities as "critical access hospitals" if they are located a sufficient distance from other hospitals, make available 24-hour emergency care, maintain no more than 25 inpatient beds, and keep inpatients no longer than 96 hours (except where weather or emergency conditions dictate, or a Peer Review Organization waives the limit). Payment for inpatient and outpatient services under this program is on the basis of reasonable cost.

NOTE 15: COMPENSATED ABSENCES

Full time employees earn accrued time off (ATO) based on years of service, part time employees accrue ATO on a pro-rated basis based on years of service. All ATO balances will be paid upon termination. Sick pay is not vested and therefore not accrued. The Hospital's policy is to recognize the cost of sick pay when actually paid to employees. Accrued time off, which is included in accrued salaries and related withholdings, at September 30, 2013 and 2012 totaled \$365,309 and \$311,932, respectively.

NOTE 16: OPERATING LEASES

The Hospital leases various equipment under operating leases expiring at various dates through 2018. Total rental expense for the years ended September 30, 2013 and 2012 for all operating leases was approximately \$719,949 and \$741,311, respectively.

The following is a schedule by year of future minimum lease payments under operating leases that have initial or remaining lease terms in excess of one year:

| <u>Years ending September 30,</u> | <u>Amount</u> |
|-----------------------------------|-------------------|
| 2014 | \$ 495,955 |
| 2015 | 265,187 |
| 2016 | 95,873 |
| 2017 | 36,175 |
| 2018 | 28,127 |
| Total | <u>\$ 921,317</u> |

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 and 2012

NOTE 17: SUBSEQUENT EVENTS

In preparing these financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through March 25, 2014, the date the financial statements were available to be issued.

NOTE 18: RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In July 2011, the FASB issued ASU 2011-07, Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities. The amendments to the codification require certain health care entities to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, those health care entities are required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts. The amendments also require disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The hospital has implemented these amendments for fiscal years ending September 30, 2013 and 2012, respectively.

The Governmental Accounting Standards Board (GASB) recently issued *GASBS 65-Items Previously Reported as Assets and Liabilities*, which changes the way debt issue costs are reported - from amortizing over the life of the bond, to expensing in the period incurred. The hospital will be subject to these amendments for fiscal years beginning after December 15, 2012, with early adoption permitted. These amendments will be applied retrospectively for all prior periods presented.

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

SCHEDULES OF PATIENT SERVICE REVENUES

YEAR ENDED SEPTEMBER 30,

| | <u>2013</u> | <u>2012</u> |
|--|------------------|-------------------|
| INPATIENT SERVICE REVENUES | | |
| Daily Patient Services: | | |
| Room and Board | \$ 1,024,294 | \$ 1,343,736 |
| Total | <u>1,024,294</u> | <u>1,343,736</u> |
| Other Nursing Services: | | |
| Central Supplies | 908,804 | 1,201,146 |
| Emergency Service | 209,135 | 331,784 |
| Operating Room | <u>207,201</u> | <u>214,057</u> |
| Total | <u>1,325,140</u> | <u>1,746,987</u> |
| Other Professional Services: | | |
| Anesthesiology | 24,338 | 47,251 |
| Blood | 74,537 | 69,291 |
| Laboratory | 1,070,998 | 1,316,374 |
| Pharmacy | 2,931,384 | 3,754,015 |
| Radiology | 1,292,597 | 1,859,361 |
| Respiratory | 1,363,733 | 2,127,119 |
| Therapy Services | <u>69,634</u> | <u>61,562</u> |
| Total | <u>6,827,221</u> | <u>9,234,973</u> |
| TOTAL INPATIENT SERVICE REVENUE | <u>9,176,655</u> | <u>12,325,696</u> |

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

SCHEDULE OF PATIENT SERVICE REVENUES

YEAR ENDED SEPTEMBER 30,

| | <u>2013</u> | <u>2012</u> |
|---|----------------------|----------------------|
| OUTPATIENT SERVICE REVENUES | | |
| Other Nursing Services: | | |
| Central Supplies | 323,064 | 354,520 |
| Emergency Service | 2,605,927 | 2,822,385 |
| Operating Room | 171,839 | 211,771 |
| Total | <u>3,100,830</u> | <u>3,388,676</u> |
| Other Professional Services: | | |
| Anesthesiology | 200,784 | 181,994 |
| Blood | 31,960 | 44,099 |
| Clinics | 1,708,597 | 1,489,556 |
| Hospitalist | 557,305 | 631,348 |
| Laboratory | 3,847,979 | 3,842,734 |
| Pharmacy | 1,401,742 | 1,655,296 |
| Emergency Room Professional | 1,912,934 | 1,335,240 |
| Radiology | 4,494,907 | 4,428,970 |
| Respiratory | 374,212 | 665,491 |
| Total | <u>14,530,420</u> | <u>14,274,728</u> |
| TOTAL OUPATIENT SERVICE REVENUE | <u>17,631,250</u> | <u>17,663,404</u> |
| GROSS PATIENT SERVICE REVENUE | 26,807,905 | 29,989,100 |
| Less: Contractual Adjustments | <u>11,492,827</u> | <u>13,327,841</u> |
| Net Patient Service Revenue before Uncompensated Care | 15,315,078 | 16,661,259 |
| Medicaid Uncompensated Care | <u>-</u> | <u>1,225,225</u> |
| NET PATIENT SERVICE REVENUE BEFORE | | |
| PROVISION FOR DOUBTFUL ACCOUNTS | <u>\$ 15,315,078</u> | <u>\$ 17,886,484</u> |

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

SCHEDULES OF OTHER OPERATING REVENUES

YEAR ENDED SEPTEMBER 30,

| | <u>2013</u> | <u>2012</u> |
|-----------------------------|------------------|-------------------|
| Cafeteria and Vending Sales | \$ 60,410 | \$ 56,627 |
| Other | <u>23,790</u> | <u>428,991</u> |
| Total | <u>\$ 84,200</u> | <u>\$ 485,618</u> |

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

SCHEDULES OF PROFESSIONAL SERVICES

YEAR ENDED SEPTEMBER 30,

| | <u>2013</u> | <u>2012</u> |
|-------------------------------------|----------------------|----------------------|
| Salaries and Fees: | | |
| Anesthesiology | \$ 111,055 | \$ 109,505 |
| Central Supply | 48,810 | 52,544 |
| Clinics | 1,759,554 | 1,788,479 |
| Emergency Room | 1,672,990 | 1,618,596 |
| Laboratory | 930,616 | 903,079 |
| Nursing | 2,174,301 | 2,147,535 |
| Operating Room | 6,056 | 5,463 |
| Pharmacy | 211,766 | 187,429 |
| Radiology | 711,517 | 655,194 |
| Respiratory | 560,561 | 581,013 |
| Therapy | 94,873 | 27,609 |
| Total Salaries and Fees | <u>8,282,099</u> | <u>8,076,446</u> |
| Supplies and Other Expenses: | | |
| Anesthesiology | 132 | 8,078 |
| Blood | 60,056 | 62,068 |
| Central Supply | 11,703 | 2,942 |
| Clinics | 358,485 | 269,076 |
| Emergency Room | 104,881 | 98,556 |
| Laboratory | 416,770 | 503,621 |
| Nursing | 240,089 | 250,529 |
| Operating Room | 17,535 | 25,682 |
| Pharmacy | 876,802 | 1,017,106 |
| Radiology | 557,676 | 675,702 |
| Respiratory | 59,381 | 52,432 |
| Total Supplies and Other Expenses | <u>2,703,510</u> | <u>2,965,792</u> |
| Total Professional Services | <u>\$ 10,985,609</u> | <u>\$ 11,042,238</u> |

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

SCHEDULES OF GENERAL AND ADMINISTRATIVE

YEAR ENDED SEPTEMBER 30,

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| Salaries and Fees: | | |
| Administrative | \$ 1,190,186 | \$ 995,792 |
| Dietary | 182,924 | 176,440 |
| Housekeeping | 188,318 | 195,096 |
| Maintenance | 262,257 | 284,847 |
| Medical Records | 203,940 | 196,943 |
| Total Salaries and Fees | <u>2,027,625</u> | <u>1,849,118</u> |
| Supplies and Other Expenses: | | |
| Administrative | 2,478,989 | 2,318,341 |
| Dietary | 143,664 | 140,171 |
| Housekeeping | 124,467 | 137,929 |
| Maintenance | 373,651 | 539,980 |
| Medical Records | 55,603 | 50,738 |
| Total Supplies and Other Expenses | <u>3,176,374</u> | <u>3,187,159</u> |
| Total General and Administrative Services | <u>\$ 5,203,999</u> | <u>\$ 5,036,277</u> |

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

SCHEDULES OF GOVERNING BOARD EXPENSES

YEAR ENDED SEPTEMBER 30,

| | <u>2013</u> | | <u>2012</u> | |
|---------------------|--|---------------------|--|---------------------|
| | <u>NUMBER OF</u> <u>MEETINGS</u> <u>ATTENDED</u> | <u>COMPENSATION</u> | <u>NUMBER OF</u> <u>MEETINGS</u> <u>ATTENDED</u> | <u>COMPENSATION</u> |
| Barbara Johns | 8 | \$ 320 | 9 | \$ 360 |
| Todd Culpepper | 0 | \$ - | 2 | \$ - |
| David Chestnut | 10 | \$ - | 0 | \$ - |
| Debra Jackson | 7 | \$ 280 | 6 | \$ 240 |
| Fannie Williams | 9 | \$ - | 7 | \$ - |
| Lonnie Menzina | 7 | \$ - | 7 | \$ - |
| Sean Disotell | 10 | \$ - | 12 | \$ - |
| Claudean Cartwright | 10 | \$ - | 9 | \$ - |



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

Board of Commissioners
Jackson Parish Hospital
Hospital Service District No. 1
Parish of Jackson
Jonesboro, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Jackson Parish Hospital Service District No.1, dba Jackson Parish Hospital, a component unit of the Jackson Parish Police Jury, State of Louisiana (the Hospital), as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated March 25, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we identified findings which are described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan". We consider all findings to be significant deficiencies and material weaknesses.

COMPLIANCE AND OTHER MATTERS

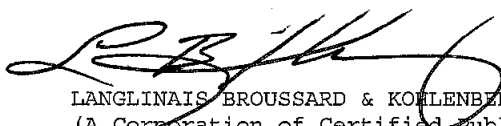
As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests identified findings of noncompliance that are required to be reported under *Government Auditing Standards*. These findings are listed as 2013-1 and 2013-2.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information and use of the Board of Commissioners and management of the Hospitals, others within the organization, federal awarding agencies, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



LANGLINAIS BROUSSARD & KOELENBERG
(A Corporation of Certified Public Accountants)
Abbeville, LA

March 25, 2014

JACKSON PARISH HOSPITAL
JONESBORO, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION PLAN
For the years ended September 30, 2013 and 2012

We have audited the financial statements of Jackson Parish Hospital Service District No. 1, dba Jackson Parish Hospital (the Hospital), a component unit of the Jackson Parish Police Jury, State of Louisiana, as of and for the years ended September 30, 2013 and 2012, and have issued our report thereon dated March 25, 2014. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133. Our audits of the financial statements as of September 30, 2013 and 2012 resulted in unmodified opinions.

Section I: Summary of Auditor's Reports

A. Report on Internal Control and Compliance Material to the Financial Statements:

Internal Control

| | |
|---------------------------|-----|
| Material Weaknesses: | Yes |
| Significant Deficiencies: | Yes |

| | |
|---|----|
| Compliance | |
| Compliance Material to Financial Statements | No |

Section II: Financial Statement Findings

A - Issues of Noncompliance

None Noted

B- Significant Deficiencies and Material Weaknesses

Finding 2013-1 Financial Statement Preparation

Condition and Criteria: The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related disclosures.

Effect: Under U.S. generally accepted auditing principles, outside auditors cannot be considered part of the Hospital's internal control structure, and, because of limitations of the Hospital's small accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Recommendation: The hospital's accounting personnel should continue to attend education courses to further their knowledge in the application of Generally Accepted Accounting Principles. The hospital should also consider outsourcing the preparation of its financials to its independent auditors and carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

Management Response: Management recognizes that it is unable to cost effectively employ the staffing needed to satisfy this material weakness. Furthermore, Hospital accounting personnel will continue to attend continued education events and the CFO is a member of the Healthcare Financial Management Association.

Finding 2013-2 Segregation of Duties

Condition and Criteria: The authorization, recording, and reconciling of transactions as well as the custody of assets related to those transactions are not adequately segregated.

Effect: Failure to adequately segregate accounting and financial functions increases the risk that errors and irregularities including fraud may occur and not be prevented or detected.

Recommendation: The authorization, recording, and reconciliation of transactions and decisions as well as the custody of assets related to those transactions and decisions should be segregated functions. Management should increase oversight in areas where this does not occur.

Management Response: Management recognizes that it is unable to cost effectively segregate duties with the number of employees available. We have implemented new policies and restructured certain areas to enhance accounting controls. To minimize risk, management supervises and reviews activities on a regular basis.

Finding 2013-3 Proposed Audit Adjustments

Condition and Criteria: The proposed audit adjustments for the fiscal year ended September 30, 2013 and 2012 had material effects on the financial statements.

Effect: The Hospital's financial statements have been adjusted to reflect all proposed audit journal entries approved by management.

Recommendation: Management should perform a comprehensive review of financial statements, estimates, and journal entries before closing the fiscal year.

Management Response: The Chief Financial Officer will perform a comprehensive review of the financial statements, estimates and journal entries before closing the fiscal year.

Section III: Management Letter Items

There are no management letter items at September 30, 2013.

JACKSON PARISH HOSPITAL
JONESBORO, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended September 30, 2013

Finding 2012-1 Financial Statement Preparation: The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing principles, outside auditors cannot be considered part of the Hospital's internal control structure, and, because of limitations of the Hospital's small accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Status: Unresolved. See Finding 2013-1.

Finding 2012-2 Segregation of Duties: The hospital has several employees whose duties are not segregated.

Status: Unresolved. See Finding 2013-2.

Finding 2012-3 Proposed Audit Adjustments: The proposed audit adjustments for the fiscal year ended September 30, 2012 had material effects on the financial statements.

Status: Unresolved. See Finding 2013-3.